

Demand for Real Estate Drops in Moscow Region

By [Lena Smirnova](#)

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Demand for real estate in the Moscow region fell over the summer and this market stagnation is expected to continue until the winter months, according to a study by real estate agency Megapolis-Service.

The past two summers were busier than usual with about 20 percent more real estate deals made, said Sergei Vlasenko, president of Megapolis-Service. But as real estate supply on the secondary market increased by 25 percent in August, demand from buyers and prices declined.

"The summer was not bad in general, but we are noticing that there are few advance payments made while there are more and more offers," Vlasenko said. "It is likely that prices will fall by another 5 percent, or 10 percent at the worst."

Prices for real estate properties on the secondary market fell in 21 cities in the Moscow region

and rose in 13 cities. Experts expect that the market will not heat up until the winter months at least.

One of the reasons for the lack of interest in this real estate is that potential buyers are more often choosing to buy new properties while they are under construction.

However, the choice of newly built over secondary market housing is only relevant if the developer offers good prices to compensate for the risks associated with buying an apartment that is still not completed, Vlasenko said. If the prices for apartments under construction are close to those of existing ones, the buyers will choose the latter.

For example, the average price per square meter in Pavlovsky Posad, a city 63 kilometers east of Moscow, is now 52,000 rubles (\$1,615) for secondary market properties. Sales of new housing will not go well if the developer tries to charge 45,000 to 48,000 rubles per square meter, but if the developer offers 40,000 rubles per square meter, buyers will accept the additional construction-related risks, Vlasenko said.

Vlasenko also cautioned buyers not to hurry to buy real estate when there are so many bountiful options on the market since prices might fall further still.

"Today, it is advantageous to change housing — sell what you have, buy something else — but to buy something completely new, it is only advantageous if you like having a lot of choices," he said.

Contact the author at e.smirnova@imedia.ru

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